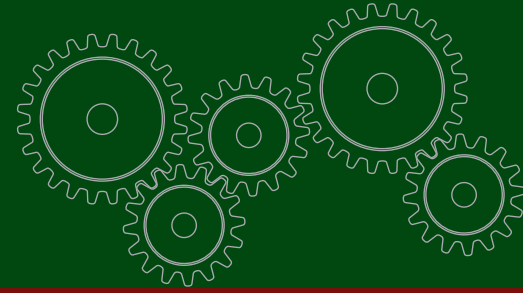




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Accelerate Your Business

November 2008

OVERALL INDUSTRY/ ECONOMY:

- October auto sales (using Merrill Lynch): industry down 35% for a 10.6m annual selling rate (September's was 12.2m; 2007 full year = 16.1m; 2006 = 16.6m). GM down 47%, Ford down 33%, Chrysler down 38%, Toyota down 23%, Honda down 28% and Nissan 33%. For first 10 months of 2008, industry off 15%, Detroit Three off 21% (that 21% = 1.5 million fewer vehicles). The car/truck split on the 15% industry decrease: cars down 6%, trucks down 23%.
- In terms of unit volume, October was the lowest sales month since January 1992; in terms of annual selling rate (10.5m), it was the lowest since February 1983. NY Times headline with sales results: "Auto Sales Slump To The Levels of 25 Years Ago, Leaving No Seller Immune."
- Mike DiGiovanni, GM sales analyst, "this is clearly a severe, severe recession in the U.S. auto industry."
- "Cash Burn Rates Threaten GM, Ford:" Automotive News, November 10, 2008. Of greater concern than even their Q3 financials (GM lost \$2.5 billion; Ford had -\$129 million net income and operating income of -\$3 billion): GM—burned \$6.9 billion in cash in Q3, had \$16.2 billion in cash and other liquid assets on September 30 (down from \$21 billion on June 30), needs \$11-\$14 billion in cash on hand to pay for operations, said that "for the rest of 2008, its cash reserves will approach the minimum amount necessary to operate its business." FORD: their Q3 cash burn was \$7.7 billion, has \$18.8 billion in cash on hand with access to an additional \$10.7 billion in available credit lines; their minimum cash requirements are \$9-\$10 billion, would near that minimum level by mid-2009.
- "Wagoner: GM Needs Federal Help Before Obama Takes Office (January 20):" Automotive News website 11/10/08. "Without government assistance, the automaker will not survive if industry sales stay mired at 11 million units. I'd question whether the U.S. industry as a whole could survive without support." GM stock closed yesterday at a 65-year low of \$2.92 a share.
- "Democrats Plot Detroit Rescue," Wall Street Journal, November 12, 2008: "Democratic leaders in Congress said yesterday that they will push legislation next week to use the \$700 billion Wall Street Rescue Fund to bail out Detroit automakers; President-elect Obama ordered his transition team to look at ways to aid the car industry even before his inauguration." Obama aides are pressing on three issues (to come up with at least \$50 billion, maybe more): accelerate access



to the \$25 billion in Energy Department loans meant to help Detroit develop more fuel efficient cars; access to the \$700 billion Wall Street bailout fund and emergency loans from the Federal Reserve.

- Job Loss impact if all of the Detroit Three go out of business/if 50% of them do (Center for Automotive Research, Ann Arbor, Michigan, November 4, 2008):

IF ALL: 2009 = 3 million jobs lost; 2010 = 2.5 million more; 2011 = 1.8 million more

IF 50%: 2009 = 2.5 million; 2010 = 1.5 million more; 2011 = 1.0 million more.

This would all stem from a ripple/domino effect from automakers to suppliers to dealers and elsewhere throughout the economy. Automotive News November 10 page one headline: "The Options: Bailout Now or Collapse."

- "Ten Percent of U.S. Showrooms Could Be Gone By Late 2009:" Newsweek, November 3, 2008. NADA forecasts at least 700 dealers will go out of business this year (590 had already closed by the end of September); Mike Jackson of AutoNation said that more than 1,000 will close this year and another 1,000 next year. Historically, 96% of new-vehicle purchases are credit transactions, and the credit crunch has made it much harder to get credit.
- Manheim Used Vehicle Value Index for October and Year to Date: October was down 6% over September, and was down 8.5% year-over-year; both are the largest monthly and yearly decreases in the 14-year history of the Index (covers January 1995 to present). For JUST the month of October vs. month of September, all vehicle market classes—including compact cars—had drops of from 5% to 11% (compacts were actually down the most at 11.3%), with overall prices down 8.1%. For the first 10 months of 2008 vs. same period a year ago, price decreases (overall drop was 8.5%) ranged from 5.4% (mid-size cars) to 23.8% (large SUVs). Only compact cars were up at +4.8%.
- The economy lost 240,000 jobs in October (1.2 million so far in 2008) and the unemployment rate rose to 6.5% (from 6.1%), highest since 1994. Most forecasts call for it to rise to 7.5% - 8.0%+ in 2009.
- Jobless claims jumped to a 7-year high for the week ending November 7 to a seasonally adjusted total of 516,000. That was the highest total since just after 9/11 and the second highest since 1992. The four week moving average of initial unemployment claims, which smoothes out weekly variations, was 491,000—the largest since March 1991. The number of individuals continuing to seek unemployment benefits stood at 3.9 million vs. 2.6 million a year ago.